

**FINAL REPORT
OF THE
INTERIM STUDY COMMITTEE ON
BUREAU OF MOTOR VEHICLES ISSUES**



**Indiana Legislative Services Agency
200 W. Washington St., Suite 301
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November, 2000

Interim Study Committee on Bureau of Motor Vehicle Issues

Membership Roster

Representatives

**Ron Liggett
Redkey**

**Jerry Denbo
French Lick**

**Ben GiaQuinta
Ft. Wayne**

**Gloria Goeglein
Ft. Wayne**

**Thomas Saunders
Lewisville**

**David Wolkins
Winona Lake**

Senators

**James Merritt, V. Chair
Indianapolis**

**Rose Ann Antich
Merrillville**

**Lindel Hume
Princeton**

**Robert Jackman
Milroy**

**James Lewis
Charlestown**

**Marvin Riegsecker
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**James P. Sperlik
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**Susan Montgomery
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**Robert Rudolph
Staff Attorney**

FINAL REPORT

Interim Study Committee on Bureau of Motor Vehicle Issues

I. LEGISLATIVE COUNCIL DIRECTIVE

The Legislative Council directed the Committee to do the following:

(A) Study the operations, use of technology for automated delivery of services, cost of operation, and the financing of the Bureau of Motor Vehicles (BMV) and the BMV Commission (BMVC) (HB 1639-99, HR 71-99, HB 2037-99).

(B) Study the plausibility of privatizing the operations of the BMV (SCR 75-99).

II. INTRODUCTION AND REASONS FOR STUDY

(1) The basis of the Committee charge concerning the use of technology for automated delivery of services by the BMV and the BMVC was HB 2037, authored by Representative Ripley.

(2) The basis of the Committee charge concerning the cost of operation of the BMV and the BMVC was House Resolution 71, authored by Representative Goeglein, Representative Scholer, Representative Foley, and Representative Bodiker.

(3) The basis of the Committee charge concerning the financing the BMV and the BMVC was House Bill 1639, authored by Representative Bauer and Representative Goeglein.

(4) The basis of the Committee charge concerning the plausibility of privatizing the BMV and the BMVC was Senate Concurrent Resolution 75, authored by Senator Merritt, Senator R. Meeks, Senator Reigsecker, Senator Hume, Senator Antich, Senator Weatherwax, Senator Lubbers, Senator Lawson, and Senator Jackman.

III. SUMMARY OF WORK PROGRAM

The Committee met six times during the interim following the conclusion of the 1999 Session of the General Assembly. The six meetings were held at various locations throughout the state. The Committee met five times following the conclusion of the 2000 Session of the General Assembly. This report covers both interims and encompasses the Interim Report issued October, 1999.

1999 Interim Activities

The first meeting, held on July 22, 1999, in the Government Center, was devoted to the charge concerning the operation of the BMV. The Committee heard testimony concerning: (1) the relationship of the BMV and the BMVC; (2) a determination of the core responsibilities of the BMV and the BMVC; and (3) whether the BMVC should be run as business or an agency.

At its second meeting, held at the Pine Valley License Branch, Ft. Wayne, on August 24, 1999, the Committee heard testimony concerning: (1) the operation of the BMV and the BMVC; and (2) automation of services.

At its third meeting, held at the Brown County License Branch, Nashville, on August 31, 1999, the Committee heard testimony concerning: (1) License Branch operations; and (2) digitized driver's licenses.

At its fourth meeting, held in the Meeting Room of the Indiana State Police Motor Carrier Division, Indianapolis, on September 9, 1999, the Committee heard testimony concerning: (1) Financial aspects of the Pine Valley and the Nashville License Branches; (2) Commercial Drivers Licenses and the Trucking Industry; and (3) License Plates.

At its fifth meeting, held in Administrative Conference Room of the BMV, on September 28, 1999, the Committee heard testimony concerning all Committee charges.

At its sixth meeting, held in the State House, on October 26, 1999, the Committee heard testimony on all Committee charges, and voted on recommendations for discussion for the following year. The Committee also voted 9 to 2 to accept the Interim Report.

2000 Interim Activities

The Committee held five meetings during the interim following the conclusion of the 2000 Session. All five meetings were held in Indianapolis.

At its first meeting, held in the BMV Conference Room, on July 26, 2000, the Committee heard testimony about the many problems facing the BMV and the BMVC, along with how the BMV and the BMVC are attempting to solve them. The Committee also heard testimony about resource allocation and how the BMV is attempting to shift resources in such a manner to reflect the population shifts which have taken place over the last ten years or so and which are expected to continue for the next twenty years. In addition, the Committee heard testimony about fees and the fact that the BMV does not receive a fee for the registration of watercraft. The Committee requested that the staff prepare legislation on the following topics: 1) elimination of the BMVC; 2) creation of a new technology fund; 3) a moratorium of five years on license branch closings; and 4)

have county treasurers collect the BMV fees.

At its second meeting, held on August 25, 2000, in Indianapolis, the Committee heard testimony from Ms. Susan Estes. Ms. Estes told the Committee that she had been driving without notification from the BMV that her driver's license had been suspended. She also commented that subsequently she was stopped by the police and cited for driving while suspended and received an additional ninety days license suspension. BMV Commissioner Gary Gibson told the Committee that he would like to meet with Ms. Estes in order to resolve the problem.

The Committee next heard testimony from the BMV about privatization efforts-past and present. The Committee heard testimony on the possible legislative solutions for some of the BMV and BMVC problems.

At the Committee's third meeting, held on September 15, 2000, in Indianapolis, Customer Convenience Centers were discussed. In addition, the Committee received a comparison of the operation of license branches in Virginia and Indiana. The Committee also heard testimony about the BMV Express. The Committee also heard from PAR North America and the ADESA Corporation regarding title and transfer procedures. The Committee discussed various Preliminary Drafts regarding the operation of the BMV and the BMVC.

At its fourth meeting, held on September 29, 2000, in Indianapolis, the Committee discussed and voted on Preliminary Drafts addressing various aspects of the BMV and the BMVC.

At its fifth and final meeting, held on October 20, 2000, in Indianapolis, the Committee heard testimony from interested parties, discussed and voted on Preliminary Drafts addressing various aspects of the BMV and the BMVC.

IV. SUMMARY OF TESTIMONY

1999 Interim Activities

A. First Meeting (July 22, 1999) Indianapolis

The Committee reviewed its charge from the Legislative Council Resolution 99-1.

The Committee heard testimony from BMV Commissioner Gary Gibson and received copies of the high points on his presentation entitled *Interim Study Committee Management Overview*. The presentation by the Commissioner included a statement of the statutory authority for the BMV and the BMOC, explaining that the BMOC runs the license branches; and that the BMV, an executive department of the Governor, provides support for the BMOC.

The testimony from the Commissioner also included a presentation of whether the BMVC should be run like an agency or a business, statutory requirements and their financial impact on the BMV and the BMVC, the plate waste that results with county designation plates, the possibility of raising revenue by other means, the public's perceived reluctance to use technology in its business with the BMV and the BMVC, and the possibility of outsourcing or privatization. The Committee discussed the problems that their constituents had in the receipt of services from the license branches. The Committee also considered a request for a one year extension of the Committee.

B. Second Meeting (August 24, 1999) Pine Valley License Branch

The Committee heard testimony concerning the operation of a large license branch. The Pine Valley Branch has one of the five Reinstatement Centers in the state, providing special services for the public which formerly were done only in Indianapolis. The main tour and testimony was provided by Ms. Patti Kuntz, the Branch Manager, with additional testimony by Gary Gibson, Commissioner of the BMV. The Committee viewed the operation an automatic twenty-four hour ATM machine located in the lobby which processes plate registration renewals.

C. Third Meeting (August 31, 1999) Nashville License Branch

The Committee heard testimony concerning the operation of a medium sized branch in a county with a smaller population. The main testimony and tour were provided by Ms. Jan Hoskins, the Branch Manager. Additional testimony was provided by BMV Commissioner Gary Gibson, and Cheryl DePrez, BMV District Manager. The Committee heard that in addition to the duties that all license branches have, this branch processes about 10,000 watercraft transactions each year. The Committee also heard testimony about the lack of public restroom facilities and the cost to provide such facilities.

D. Fourth Meeting (September 9, 1999) Indianapolis

The Committee heard testimony from Vincent Harrington, Deputy Commissioner of Finance for the BMV. Mr. Harrington distributed a *Revenue and Expense Summary* concerning the Pine Valley and Nashville license branches. Included in the testimony was an explanation of the "Big Five" financial transactions, which are: 1) vehicle registrations; 2) vehicle titles; 3) driver's licenses; 4) watercraft registrations; 5) watercraft titles. The Committee heard testimony and discussed the manner of leasing branch offices, and the potential use of Bureau-owned buildings.

Mr. Jim Poe, Administrator of the Motor Carrier Services Division of the Indiana Department of Revenue, presented testimony regarding the "one stop shop" for processing commercial vehicle transactions, a joint venture of the BMV, the Indiana State Police, and the Department of Revenue. The Committee toured the Department

of Revenue branch located next to the Motor Carrier Division, and the State Police Motor Carrier Division.

The Committee also discussed the manufacturing of license plates by the inmates of the Department of Correction. The Committee also discussed new plate technology. The Committee also discussed the county plate designator. This number, for example, 49, designates that the vehicle is registered in Marion County. Testimony was provided by the BMV that if the county designator was removed from the license plate, there would be a cost savings.

E. Fifth Meeting (September 28, 1999) Indianapolis Conference Room of the BMV

Senator Merritt, the Chair, announced that the Legislative Council had extended the life of the Committee for an additional year, but that the Council declined a request for additional funds for 1999.

The Committee heard testimony from Ms. Mary Finnegan, a member of the BMVC. Ms. Finnegan spoke to the relationship between the BMV and the BMVC. She testified that, in her opinion, privatization studies would result in the conclusion for the need to cut expenses and increase revenues. Continuing, Ms. Finnegan said in order to accomplish that, the most unprofitable branches must be closed. She also said that 53 specialty license plates may place an undue burden on the BMV, and that to allow cross-county vehicle registration would help to balance out the use of license branches.

Mr. Alvin Hayes, Director of Public Affairs for the BMV, provided a history of the BMV and the BMVC. Ms. Michelle Moore, Director of Information Services of the BMV and the BMVC testified regarding the challenges facing both. Some of the issues are: 1) the need to redesign systems that do not work interconnectively; and 2) the difficulty in finding skilled programmers because of low pay relative to the private sector.

The Committee toured the BMV processing area at the headquarters for the BMV. This area provides support for the BMV and the BMVC.

2000 Interim Activities

A. First Meeting (July 26, 2000) Indianapolis

The Committee heard testimony from Gary Gibson, Commissioner of the BMV. Mr. Gibson distributed a document entitled *Indiana Bureau of Motor Vehicles Desired Outcomes Presentation*. Mr. Gibson said that improvements to the operation of the BMV and the BMVC are possible and desirable. He said that many of the problems affecting the BMV and the BMVC are fifty years old. He said that he and his staff are taking a team approach to identifying and solving the problems. Mr. Gibson identified actions needed to: 1) enhance agency operations; 2) enhance customer service; 3) enhance cost-efficiency; and 4) enhance security/accountability. Mr. Gibson also

testified that the fees which support the BMVC have not been increased since the inception of the BMVC in 1986. Mr. Gibson also testified that when he presented a study to lawmakers which suggested the closing of 49 branches throughout the state, it was not met with much favor.

Mr. Marty Murphy, Deputy Commissioner for Branch Operations, told the Committee that the BMV is attempting to allocate resources in such a manner so as to reflect the reality of population shifts which have taken place over the last ten years or so and which are expected to continue for the next 20 years. The Committee received maps which showed the current county population and the projected population from 1997 to 2020. Mr. Murphy pointed out that Tippecanoe County, the state's 9th most populated county has but one license branch, while several other smaller counties have more than one license branch.

Commenting about the salary for branch employees, Mr. Murphy told the Committee that work at the license branch provides valuable training ground for certain employees who can earn as much as \$2 more per hour working for automobile dealerships. Mr. Murphy also said that there is not study which compares the salary of branch employees with the private sector. The Committee also heard testimony from BMV officials that the BMV currently does not receive a fee for watercraft registrations.

B. Second Meeting (August 25, 2000) Indianapolis

The Committee heard testimony from Ms. Susan Estes. She told the Committee that she was driving with a suspended license, but she had not received notification of that fact from the BMV. Subsequently, she was stopped by the police and cited for driving with a suspended license. Ms. Estes told the Committee that because she was stopped while driving with a suspended license, she could not apply for a Hardship License.

The Committee heard testimony from Mr. Marty Murphy of the BMV about the privatization efforts regarding the BMV and the BMVC. The Committee was told that privatization had existed since about 1950, with the Hoosier Motor Club (AAA). There were eight branches in Marion County. In order to receive license branch services at one of the eight branches, one had to be a member of the AAA. This lasted until December 31, 1990, at which time the eight branches closed. Mr. Murphy told the Committee that the BMV solicited inquiries from interested parties who wished to provide license branch services. Only three entities responded: 1) First Farmers National Bank of Amboy; 2) Fountain Trust Bank of Covington; 3) The Bank of Geneva. Mr. Murphy said that the branch in Covington closed in 1996 because of the lack of profitability. In 1998, the Bank of Geneva branch closed for the same reason. Mr. Murphy told the Committee that the Bank of Amboy planned to close, but customers persuaded the Bank to remain open. Mr. Murphy identified the current BMV and BMVC privatization efforts as: 1) courier service between branches and the Indianapolis Center/Warehouse; 2) self-service terminals and Internet renewals; 3) touch-tone renewal; 4) Commercial Drivers License on-site testing; 5) defensive driving course; and

6) home study option.

Mr. Gibson told the Committee that the BMVC collects hundreds of millions of dollars, but is allowed to retain only a specified portion of that amount. In fact, he said that the BMV and the BMVC provide 28 uncompensated services.

Mr. Gibson provided the Committee with three recommended legislative solutions to reduce overcrowding at branches: 1) stagger the registration renewal dates so the some people would have to register by the 15th of the month and others by the 1st of the month; 2) provide for full cross-county registration; and 3) allow for electronic renewals of driver's licenses, allowing customers to renew online, by telephone, and at self-service terminals at least once in an eight year period.

At this meeting, the Committee discussed Preliminary Draft 3141. This draft abolishes the BMVC and transfers the duties performed by the BMVC to the BMV. After Committee discussion, Representative Liggett asked if the Committee wished to recommend PD 3141 to the General Assembly. The motion to recommend PD 3141 to the General Assembly passed by vote of ten to two.

C. Third Meeting (September 15, 2000) Indianapolis

The Committee heard testimony concerning BMV Customer Convenience Centers. The Committee was told that the Customer Convenience Centers combine both the use of technology and face-to-face contact with a dedicated Customer Convenience Center cashier. The Committee was told that Customer Convenience Centers are available at the Speedway and Lafayette License Branches.

The Committee received a comparison of the operation of license branches in Virginia and Indiana. The comparison of the two states was selected by Commissioner Gibson because Virginia has received many accolades for its operation. Mr. Gibson provided the comparison which showed, among other things, that Indiana has 167 full-time branches while Virginia has 74 and that the 1999 operating budget for Indiana totaled approximately \$87.8 million, with Virginia's budget for the same period amounted to \$137.3 million.

In addition, the Committee heard testimony about the BMV Express. This is a system which allows a motorist to process transactions via automated systems. It consists of Self-Service Terminals (SST), the Internet, and telephones.

Mr. Jeff Byrd of PAR North America and the ADESA Corporation provided testimony concerning auctioneers, transfer dealer, or a dealer licensed by the State to apply for a Certificate of Title by a stated procedure. Mr. Byrd told the Committee that among the

ADESA Corporation's business activities are a full-service repossession processing effort.

D. Fourth Meeting (September 29, 2000) Indianapolis

The Committee heard testimony and voted on the various Preliminary Drafts which were presented. Preliminary Draft 3322, presented by Senator Merritt, addresses contract motor vehicle registration and renewal. Representative Liggett told the Committee that PD 3322 was a work-in-progress and asked Senator Merritt to work with the LSA staff to finalize the proposal.

The Committee discussed PD 3154 which establishes a Motor Vehicle technology and permits the BMV to use money in the fund to acquire computer equipment, software, telephone equipment, electronic queue systems, or other related devices, subject to the approval of the State Budget Agency. By a vote of seven to zero, PD 3154 was recommended for introduction in the 2001 General Assembly.

The Committee next heard testimony and discussed PD 3314, which replaced PD 3227. PD 3314 revises the schedule for registration of motor vehicles on a staggered basis throughout the year. Representative Liggett asked that PD 3314 be adopted in place of PD 3227. By a vote of seven to zero, PD 3314 was recommended for introduction in the 2001 General Assembly.

The Committee next discussed PD 3257. This bill addresses various motor vehicle issues. By a vote of seven to zero, PD 3257 was recommended for introduction in the 2001 General Assembly.

PD 3111, which establishes a moratorium on license branch closures, was next discussed by the Committee. By a vote of five to two, PD 3111 was recommended for introduction in the 2001 Session of the General Assembly.

Preliminary Draft 3256 was presented by Representative Liggett. Mr. Jeff Byrd, Administrative Services Manager, of PAR Vehicle Transitions Services of North America was recognized by the Chair to explain PD 3256. Mr. Byrd told the Committee that PD 3256 permits an automobile auctioneer, transfer dealer, or a dealer licensed by the state to apply for a certificate of title by a stated procedure for vehicle owned or transferred by the automobile auctioneer, transfer dealer, dealer, or another person. The Chair said that PD 3256 would be held to the next meeting, pending the completion of a fiscal note.

The Committee next discussed PD 3226, which allows cross-county vehicle registration in any year. Mr. Gibson, the BMV Commissioner told the Committee cross-county vehicle registration would be easier if the county designator were removed. The county designator is the number which correspond to a particular county. For example, Mr. Gibson said that the county designator for Marion County is 49. Preliminary Draft 3226 was amended with the removal of Section 8 by a vote of four to three. PD 3226 was recommended for introduction in the 2001 General Assembly by a vote of seven to

zero.

The Chair next presented PD 3177 which provides that the Motor Vehicle Excise Tax is due and payable to the County Treasurer in two installments coinciding with the semiannual installments of property taxes. Because Representative Goeglein, for whom the proposal was drafted, was absent, Representative Liggett said that PD 3177 would be held for the next meeting.

E. Fifth Meeting (October 20, 2000) Indianapolis

At its fifth and final meeting, the Committee heard testimony and voted on various proposed legislation. Mr. Les Miller, Special Counsel to the Superintendent of the Indiana State Police (ISP), addressed the Committee on Preliminary Draft 3256. This proposal deals with motor vehicle certificates of title. It permits an automobile auctioneer, transfer dealer, or dealer licensed by that state to apply for a certificate of title by a stated procedure for a vehicle owned or transferred by the automobile auctioneer, transfer dealer, or another person. In his testimony, Mr. Miller outlined the ISP's problems with PD 3256 as drafted. PD 3256 eliminates the current titling requirements and eliminates the current protections for car owners, car purchasers, and lien holders, according to Mr. Miller. The Committee also heard testimony from Mr. Jeff Byrd, Vice-President of the ADESA Corporation which deals mostly with repossessions of motor vehicles. After Committee discussion on PD 3256, Representative Liggett announced that PD 3256 as drafted was beyond the scope of this Committee and moved that PD 3256 be tabled. The motion was seconded and passed by consent.

The Committee next heard testimony on PD 3111. This proposal establishes a moratorium on license branch closings. PD 3111 had been previously acted upon, but staff explained that while PD 3111 passed by a vote of 5 to 2, Legislative Council rules require a majority vote of the elected and appointed members, and not just a majority of the members present. Representative Liggett asked for consent to bring back PD 3111. Consent was granted. The Chair called for a vote on PD 3111. The vote was four in favor and three opposed. PD 3111 did not receive a recommendation for introduction in the 2001 General Assembly.

The Committee discussed PD 3449 which replaced PD 3154. This proposal establishes a Bureau of Motor Vehicle Technology Fund and provides that \$1 from service charges from various BMV transactions be allocated the new fund. PD 3449 was moved and seconded. This proposal was recommended for introduction in the 2001 General Assembly by a vote of seven to zero.

The Committee next discussed PD 3444. This proposal provides that the BMV may contract with a qualified person to provide partial license branch services. After Committee discussion, PD 3444 was amended by consent. Preliminary Draft 3444 was recommended for introduction in the 2001 General Assembly by a vote of seven to zero.

The Committee discussed PD 3177. This proposal provides that the Motor Vehicle Excise Tax is due and payable to the County Treasurer. After Committee discussion, Representative Liggett announced that PD 3177 would be held.

The Committee discussed the draft copy of the Final Report and voted by consent to accept the report.

V. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee made the following findings of fact:

A. That service to the public and efficiency by the staff would be improved if cross-county vehicle registrations were allowed in all years, rather than just in those in which renewals were made. The Committee found that the Bureau of Motor Vehicles would be able to properly delineate the township for distribution of the Excise tax, and could satisfactorily implement this change in administrative function. (1999)

B. That the creation of a pilot program to allow auto dealers to complete registration functions within the dealerships would allow a convenience to the public and could reduce the volume of transactions done in person at BMVC branches. By reducing volume of in-person visits, the BMVC could reduce personnel costs. In addition, the Committee finds that auto dealers are receptive to the idea of a pilot program and are committed to assisting the BMV and the BMVC. (1999)

The Committee made the following recommendations:

1. That the Indiana Code be amended to allow cross-county vehicle registration in all years of a plate cycle. Preliminary Draft (PD) 3560 accomplished this and was approved by the Committee for introduction during the 2000 Session of the General Assembly. (1999)

2. The preparation and submission of a bill for the 2000 Session to permit the BMV to establish a pilot program to establish procedures for auto dealers to provide vehicle registration at dealerships. (1999)

3. The Committee voted seven to zero to recommend PD 3154 for introduction in the 2001 General Assembly. This proposal establishes a Motor Vehicle Technology Fund. (2000)

4. The Committee voted 4-3 to amend PD 3226 with the removal of SECTION 8. PD 3226, as amended, was recommended by the Committee for introduction in the 2001 General Assembly by a vote of seven to zero. This draft allows for cross-county

registration. (2000)

5. By a vote of seven to zero, the Committee recommended PD 3314 for introduction in the 2001 General Assembly. This draft revises the schedule for registration of motor vehicles on a staggered basis throughout the year. (2000)

6. The Committee, by a vote of 7-0, recommended PD 3449 for introduction in the 2001 General Assembly. This draft establishes a Bureau of Motor Vehicle Technology Fund. It replaced PD 3154. (2000)

7. By a vote of seven to zero, the Committee recommended PD 3257 for introduction in the 2001 General Assembly. This draft addresses various motor vehicle issues. (2000)

8. The Committee voted 4-3 to amend the Concurrent Resolution with the removal of SECTION 7. The Concurrent Resolution, as amended, passed by consent. The Concurrent Resolution urges the General Assembly to address the need for funding for new technology for the BMV and the BMVC.

9. The Committee voted four to three to amend PD 3444. The Committee voted seven to zero to recommend PD 3444, as amended, for introduction in the 2001 General Assembly. This draft provides that the BMV may contract with a qualified person to provide partial license branch services.

10. The Committee voted ten to zero to recommend PD 3141 for introduction in the 2001 General Assembly. This draft abolishes the Bureau of Motor Vehicles Commission (BMVC) and transfers the duties performed by the BMVC to the Bureau of Motor Vehicles.

WITNESS LIST

Gary Gibson, Commissioner of the BMV
Patti Kuntz, Branch Manager of the Pine Valley license branch, Ft. Wayne
Jan Hoskins, Branch Manger of the Nashville license branch
Cheryl DePrez, District Manager, BMV
Vincent Harrington, Deputy Commissioner, Finance Division, BMV
Jim Poe, Administrator of the Motor Carrier Division, Indiana Department of Revenue
Mary Finnegan, Commission member, BMVC
Alvin Hayes, Public Affairs Director, BMV
Michelle Moore, Director of MVIS/Information Services, BMV
John Von Arx, KMPG
Tim Dowling, Automobile Dealers Association of Indiana
Hans Sheridan, National Corporate Solutions
Marty Murphy, Director Commissioner for Branch Services, BMV
Susan Estes
Andy Cain, Manager of Information Services, BMV
Melanie Schwartz, Deputy Commissioner, Driver Services Division, BMV
Jeff Byrd, Administrative Manager, PAR North America
Les Miller, Special Counsel, Indiana State Police